

TOWNSHIP OF BOWNE  
Kent County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Bowne	<b>County</b> Kent
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> July 7, 2006	<b>Date Accountant Report Submitted to State:</b> July 14, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

TOWNSHIP OF BOWNE  
Kent County, Michigan

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# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## INDEPENDENT AUDITOR'S REPORT

July 7, 2006

To the Township Board  
Township of Bowne  
Kent County, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Township of Bowne, Kent County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Bowne's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Township of Bowne, Kent County, Michigan as of March 31, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF BOWNE  
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Bowne covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$3,492,605.74 for governmental activities and \$842,758.36 for business-type activities. Overall total capital assets remained approximately the same.

Overall revenues were \$649,498.73 from governmental activities and \$195,112.84 from business-type activities. Governmental activities had a \$68,737.27 increase in net assets. Business-type activities had an increase in net assets of \$22,656.61.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Fire Fund, Downtown Development Fund, Capital Improvement Fund, Sewer Fund, Agency Fund and the Current Tax Collection Fund.

TOWNSHIP OF BOWNE  
Kent County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

**Governmental Funds:** Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Fire Fund, Downtown Development Fund and the Capital Improvement Fund.

**Business-Type Funds:** The Township has a Sewer Fund which includes the activity of providing sewer services to Township residents.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

Our external debt has 24 years left at approximately \$35,000.00 per year for the upgrade expansion of the sewer system.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$352,517.86. The Sewer Fund incurred \$39,008.41 in depreciation expense and \$115,560.49 in other operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's business-type activities invested \$0 in capital assets.

The Township's governmental activities paid \$0 of principal on long-term debt.

The Township's business-type activities paid \$10,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values with little demand for infrastructure, except good roads.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-868-6846 or at the Bowne Township Office, 8240 Aiden Nash SE., P.O. Box 35, Alto, Michigan 49302-0035.

TOWNSHIP OF BOWNE  
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash in bank	1 692 985 57	338 539 79	2 031 525 36
Taxes receivable	<u>19 152 07</u>	<u>-</u>	<u>19 152 07</u>
Total Current Assets	<u>1 712 137 64</u>	<u>338 539 79</u>	<u>2 050 677 43</u>
NON-CURRENT ASSETS:			
Capital Assets	2 234 466 00	1 170 252 21	3 404 718 21
Less: Accumulated Depreciation	<u>(443 997 90)</u>	<u>(96 033 64)</u>	<u>(540 031 54)</u>
Total Non-current Assets	<u>1 790 468 10</u>	<u>1 074 218 57</u>	<u>2 864 686 67</u>
TOTAL ASSETS	<u>3 502 605 74</u>	<u>1 412 758 36</u>	<u>4 915 364 10</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	<u>10 000 00</u>	<u>-</u>	<u>10 000 00</u>
Total Current Liabilities	<u>10 000 00</u>	<u>-</u>	<u>10 000 00</u>
NON-CURRENT LIABILITIES:			
Bonds payable	<u>-</u>	<u>570 000 00</u>	<u>570 000 00</u>
Total Non-current Liabilities	<u>-</u>	<u>570 000 00</u>	<u>570 000 00</u>
Total Liabilities	<u>10 000 00</u>	<u>570 000 00</u>	<u>580 000 00</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	1 790 468 10	504 218 57	2 294 686 67
Unrestricted	<u>1 702 137 64</u>	<u>338 539 79</u>	<u>2 040 677 43</u>
Total Net Assets	<u>3 492 605 74</u>	<u>842 758 36</u>	<u>4 335 364 10</u>
TOTAL LIABILITIES AND NET ASSETS	<u>3 502 605 74</u>	<u>1 412 758 36</u>	<u>4 915 364 10</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	6 329 27	-	(6 329 27)
General government	288 625 90	46 476 38	(242 149 52)
Public safety	124 937 03	45 707 15	(79 229 88)
Public works	154 980 59	-	(154 980 59)
Recreation and culture	5 888 67	-	(5 888 67)
Total Governmental Activities	<u>580 761 46</u>	<u>92 183 53</u>	<u>(488 577 93)</u>
Business-Type Activities:			
Sewer	181 382 66	195 112 84	-
Total Business-Type Activities	<u>181 382 66</u>	<u>195 112 84</u>	<u>-</u>
Total Government	<u>762 144 12</u>	<u>287 296 37</u>	<u>(488 577 93)</u>
General Revenues:			
Property taxes			309 135 16
State revenue sharing			191 436 92
Interest			41 354 75
Miscellaneous			15 388 37
Total General Revenues			<u>557 315 20</u>
Change in net assets			68 737 27
Net assets, beginning of year			<u>3 423 868 47</u>
Net Assets, End of Year			<u>3 492 605 74</u>

The accompanying notes are an integral part of these financial statements.



<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(6 329 27)
-	(242 149 52)
-	(79 229 88)
-	(154 980 59)
-	(5 888 67)
-	(488 577 93)
<u>13 730 18</u>	<u>13 730 18</u>
<u>13 730 18</u>	<u>13 730 18</u>
<u>13 730 18</u>	<u>(474 847 75)</u>
-	309 135 16
-	191 436 92
8 926 43	50 281 18
-	15 388 37
<u>8 926 43</u>	<u>566 241 63</u>
22 656 61	91 393 88
<u>820 101 75</u>	<u>4 243 970 22</u>
<u>842 758 36</u>	<u>4 335 364 10</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds</u>
<u>Assets</u>				
Cash in bank	764 496 72	506 943 30	307 182 05	83 378 06
Taxes receivable	7 520 51	11 631 56	-	-
Due from other funds	<u>26 295 17</u>	<u>7 190 27</u>	<u>-</u>	<u>-</u>
Total Assets	<u>798 312 40</u>	<u>525 765 13</u>	<u>307 182 05</u>	<u>83 378 06</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	10 000 00	-	-	-
Due to other funds	<u>-</u>	<u>2 500 00</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>10 000 00</u>	<u>2 500 00</u>	<u>-</u>	<u>-</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>788 312 40</u>	<u>523 265 13</u>	<u>307 182 05</u>	<u>83 378 06</u>
Total fund equity	<u>788 312 40</u>	<u>523 265 13</u>	<u>307 182 05</u>	<u>83 378 06</u>
Total Liabilities and Fund Equity	<u>798 312 40</u>	<u>525 765 13</u>	<u>307 182 05</u>	<u>83 378 06</u>

The accompanying notes are an integral part of these financial statements.

Total

1 662 000 13

19 152 07

33 485 44

1 714 637 64

10 000 00

2 500 00

12 500 00

1 702 137 64

1 702 137 64

1 714 637 64

TOWNSHIP OF BOWNE  
Kent County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 702 137 64
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	2 234 466 00
Accumulated depreciation	<u>(443 997 90)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>3 492 605 74</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>Fire Operating</u>	<u>Downtown Development</u>	<u>Other Funds</u>
Revenues:				
Property taxes	78 560 65	172 915 50	57 659 01	-
Licenses and permits	23 203 73	-	-	-
State revenue sharing	191 436 92	-	-	-
Charges for services:				
Fire runs	-	22 503 42	-	-
Tax collection	30 596 71	-	-	-
Other	15 879 67	-	-	-
Interest	22 868 74	12 140 03	4 238 17	2 107 81
Rent	-	-	7 742 00	-
Miscellaneous	6 309 37	1 147 00	190 00	-
Total revenues	<u>368 855 79</u>	<u>208 705 95</u>	<u>69 829 18</u>	<u>2 107 81</u>
Expenditures:				
Legislative:				
Township Board	6 329 27	-	-	-
General government:				
Supervisor	19 967 58	-	-	-
Elections	2 281 80	-	-	-
Assessor	19 999 92	-	-	-
Professional services	95 172 43	-	-	-
Clerk	26 525 40	-	-	-
Board of Review	675 00	-	-	-
Treasurer	24 361 32	-	-	-
Building and grounds	49 311 03	-	-	-
Cemetery	13 795 09	-	-	-
Unallocated	37 365 57	-	-	-
Public safety:				
Fire protection	-	99 560 97	-	-
Protective inspection	19 672 00	-	-	-
Planning Commission	3 040 00	-	-	-
Public works:				
Highways and streets	26 246 89	-	-	-
Street lighting	2 302 56	-	-	-
Downtown development	-	-	126 228 85	-
Culture and recreation:				
Library	5 472 00	-	-	-
Total expenditures	<u>352 517 86</u>	<u>99 560 97</u>	<u>126 228 85</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>16 337 93</u>	<u>109 144 98</u>	<u>(56 399 67)</u>	<u>2 107 81</u>
Fund balances, April 1	<u>771 974 47</u>	<u>414 120 15</u>	<u>363 581 72</u>	<u>81 270 25</u>
Fund Balances, March 31	<u>788 312 40</u>	<u>523 265 13</u>	<u>307 182 05</u>	<u>83 378 06</u>

The accompanying notes are an integral part of these financial statements.

Total

309 135 16  
23 203 73  
191 436 92

22 503 42  
30 596 71  
15 879 67  
41 354 75  
7 742 00  
7 646 37

649 498 73

6 329 27

19 967 58  
2 281 80  
19 999 92  
95 172 43  
26 525 40  
675 00  
24 361 32  
49 311 03  
13 795 09  
37 365 57

99 560 97  
19 672 00  
3 040 00

26 246 89  
2 302 56  
126 228 85

5 472 00

578 307 68

71 191 05

1 630 946 59

1 702 137 64

TOWNSHIP OF BOWNE  
Kent County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 71 191 05

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(2 453 78)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>68 737 27</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS

March 31, 2006

	<u>Total (Sewer)</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>338 539 79</u>
Total Current Assets	<u>338 539 79</u>
NON-CURRENT ASSETS:	
Capital Assets	1 170 252 21
Less: Accumulated Depreciation	<u>(96 033 64)</u>
Total Non-current Assets	<u>1 074 218 57</u>
TOTAL ASSETS	<u>1 412 758 36</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
NON-CURRENT LIABILITIES:	
Bonds payable	<u>570 000 00</u>
Total Liabilities	<u>570 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	504 218 57
Unrestricted	<u>338 539 79</u>
Total Net Assets	<u>842 758 36</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 412 758 36</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS-TYPE FUNDS  
Year ended March 31, 2006

	<u>Total (Sewer)</u>
OPERATING REVENUES:	
Charges for services	<u>195 112 84</u>
Total Operating Revenues	<u>195 112 84</u>
OPERATING EXPENSES:	
Wages	4 200 00
Contracted services	95 982 24
Utilities	<u>15 378 25</u>
Total Operating Expenses	<u>115 560 49</u>
Operating Income (loss) before depreciation	79 552 35
Less: depreciation	<u>(39 008 41)</u>
Operating income (loss)	<u>40 543 94</u>
NON-OPERATING REVENUES (EXPENSES):	
Interest income	8 926 43
Interest expense	<u>(26 813 76)</u>
Total Non-operating Expenses	<u>(17 887 33)</u>
Change in net assets	22 656 61
Net assets, beginning of year	<u>820 101 75</u>
Net Assets, End of Year	<u><u>842 758 36</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS  
Year ended March 31, 2006

	<u>Total (Sewer)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	195 112 84
Cash payments to suppliers for goods and services	(111 360 49)
Cash payments to employees for services	<u>(4 200 00)</u>
Net cash provided (used) by operating activities	<u>79 552 35</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on bonds	<u>(10 000 00)</u>
Interest paid on bonds	<u>(26 813 76)</u>
Net cash provided (used) by capital and related financing activities	<u>(36 813 76)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	<u>8 926 43</u>
Net cash provided (used) by investing activities	<u>8 926 43</u>
Net increase (decrease) in cash	51 665 02
Cash beginning of year	<u>286 874 77</u>
Cash End of Year	<u><u>338 539 79</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	40 543 94
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	<u>39 008 41</u>
Net Cash Provided (Used) in Operating Activities	<u><u>79 552 35</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bowne, Kent County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bowne. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business-type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Capital Improvement Fund

This fund is used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Proprietary Fund

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer enterprise funds are charges to customers for services. The enterprise funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary Funds

The Current Tax Collection and Agency Funds are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14. The 2005 tax roll millage rate was 2.6075 mills, and the taxable value was \$93,854,367.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Equipment	5-20 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 3 – Deposits and Investments (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>2 033 254 58</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	334 538 83
Uninsured and Uncollateralized	<u>1 702 303 35</u>
Total Deposits	<u>2 036 842 18</u>

The Township of Bowne did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	133 071 80	-	-	133 071 80
Buildings	1 052 573 80	-	-	1 052 573 80
Equipment	<u>1 048 820 40</u>	<u>-</u>	<u>-</u>	<u>1 048 820 40</u>
Total	2 234 466 00	-	-	2 234 466 00
Accumulated Depreciation	<u>(441 544 12)</u>	<u>(2 453 78)</u>	<u>-</u>	<u>(443 997 90)</u>
Net Governmental Capital Assets	<u>1 792 921 88</u>	<u>(2 453 78)</u>	<u>-</u>	<u>1 790 468 10</u>
<u>Business-Type Activities:</u>				
Sewer Systems	1 170 252 21	-	-	1 170 252 21
Accumulated Depreciation	<u>(57 025 23)</u>	<u>(39 008 41)</u>	<u>-</u>	<u>96 033 64</u>
Net Business-Type Capital Assets	<u>1 113 226 98</u>	<u>(39 008 41)</u>	<u>-</u>	<u>1 074 218 57</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 5 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 6 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2006, was \$14,800.74.

Note 7 – Bonds Payable

On July 1, 2002, the Township issued a \$600,000.00 in bonds to finance a sewer system upgrade. As of March 31, 2006, the principal balance outstanding was \$570,000.00 and it is recorded in the Sewer Fund.

<u>Due April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
11-1-06	10 000 00	3.000
11-1-07	15 000 00	3.125
11-1-08	15 000 00	3.375
11-1-09	15 000 00	3.600
11-1-10	15 000 00	4.000
11-1-11	15 000 00	4.000
11-1-12	15 000 00	4.000
11-1-13	15 000 00	4.125
11-1-14	15 000 00	4.300
11-1-15	20 000 00	4.500
11-1-16	20 000 00	4.500
11-1-17	20 000 00	4.625
11-1-18	20 000 00	4.750
11-1-19	20 000 00	5.000
11-1-20	20 000 00	5.000
11-1-21	25 000 00	5.000
11-1-22	25 000 00	5.000
11-1-23	25 000 00	5.000
11-1-24	35 000 00	5.000
11-1-25	35 000 00	5.000
11-1-26	40 000 00	5.000
11-1-27	40 000 00	5.000
11-1-28	45 000 00	5.000
11-1-29	<u>50 000 00</u>	5.000
Total	<u>570 000 00</u>	

Note 8 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/06</u>
Sewer Bonds	<u>580 000 00</u>	<u>-</u>	<u>10 000 00</u>	<u>570 000 00</u>



TOWNSHIP OF BOWNE  
Kent County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 9 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 – Building Permits

As of March 31, 2006, the Township had building permit revenues of \$20,762.00 and building permit expenses of \$19,672.00.

Note 11 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	23 795 17	Current Tax Collection	23 795 17
General	2 500 00	Fire	2 500 00
Fire	<u>7 190 27</u>	Current Tax Collection	<u>7 190 27</u>
Total	<u><u>33 485 44</u></u>	Total	<u><u>33 485 44</u></u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	115 000 00	115 000 00	78 560 65	(36 439 35)
Licenses and permits	30 000 00	30 000 00	23 203 73	(6 796 27)
State revenue sharing	185 000 00	185 000 00	191 436 92	6 436 92
Charges for services:				
Tax collection	28 000 00	28 000 00	30 596 71	2 596 71
Other	-	-	15 879 67	15 879 67
Interest	7 500 00	7 500 00	22 868 74	15 368 74
Miscellaneous	3 500 00	3 500 00	6 309 37	2 809 37
Total revenues	<u>369 000 00</u>	<u>369 000 00</u>	<u>368 855 79</u>	<u>(144 21)</u>
Expenditures:				
Legislative:				
Township Board	20 000 00	20 000 00	6 329 27	(13 670 73)
General government:				
Supervisor	20 966 93	20 966 93	19 967 58	(999 35)
Elections	12 000 00	12 000 00	2 281 80	(9 718 20)
Assessor	20 000 00	20 000 00	19 999 92	(08)
Professional services	120 000 00	120 000 00	95 172 43	(24 827 57)
Clerk	26 525 48	26 525 48	26 525 40	(08)
Board of Review	1 000 00	1 000 00	675 00	(325 00)
Treasurer	24 361 32	24 361 32	24 361 32	-
Building and grounds	95 000 00	95 000 00	49 311 03	(45 688 97)
Cemetery	17 500 00	17 500 00	13 795 09	(3 704 91)
Unallocated	45 000 00	45 000 00	37 365 57	(7 634 43)
Public safety:				
Protective inspection	20 000 00	20 000 00	19 672 00	(328 00)
Planning Commission	4 000 00	4 000 00	3 040 00	(960 00)
Public works:				
Highways and streets	150 000 00	150 000 00	26 246 89	(123 753 11)
Street lighting	3 500 00	3 500 00	2 302 56	(1 197 44)
Culture and recreation:				
Library	15 000 00	15 000 00	5 472 00	(9 528 00)
Capital outlay	<u>50 000 00</u>	<u>50 000 00</u>	<u>-</u>	<u>(50 000 00)</u>
Total expenditures	<u>644 853 73</u>	<u>644 853 73</u>	<u>352 517 86</u>	<u>(292 335 87)</u>
Excess (deficiency) of revenues over expenditures	<u>(275 853 73)</u>	<u>(275 853 73)</u>	<u>16 337 93</u>	<u>292 191 66</u>
Fund balance, April 1	<u>740 609 08</u>	<u>740 609 08</u>	<u>771 974 47</u>	<u>31 365 39</u>
Fund Balance, March 31	<u>464 755 35</u>	<u>464 755 35</u>	<u>788 312 40</u>	<u>323 557 05</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE OPERATING FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	150 000 00	150 000 00	172 915 50	22 915 50
Charges for services	25 000 00	25 000 00	22 503 42	(2 496 58)
Interest	3 000 00	3 000 00	12 140 03	9 140 03
Miscellaneous	1 000 00	1 000 00	1 147 00	147 00
Total revenues	<u>179 000 00</u>	<u>179 000 00</u>	<u>208 705 95</u>	<u>29 705 95</u>
Expenditures:				
Public safety:				
Fire protection	<u>152 500 00</u>	<u>152 500 00</u>	<u>99 560 97</u>	<u>(52 939 03)</u>
Total expenditures	<u>152 500 00</u>	<u>152 500 00</u>	<u>99 560 97</u>	<u>(52 939 03)</u>
Excess (deficiency) of revenues over expenditures	26 500 00	26 500 00	109 144 98	82 644 98
Fund balance, April 1	<u>326 205 28</u>	<u>326 205 28</u>	<u>414 120 15</u>	<u>87 914 87</u>
Fund Balance, March 31	<u>352 705 28</u>	<u>352 705 28</u>	<u>523 265 13</u>	<u>170 559 85</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	48 450 00	48 450 00	57 659 01	9 209 01
Interest	-	-	4 238 17	4 238 17
Rent	-	-	7 742 00	7 742 00
Miscellaneous	-	-	190 00	190 00
Total revenues	<u>48 450 00</u>	<u>48 450 00</u>	<u>69 829 18</u>	<u>21 379 18</u>
Expenditures:				
Public works:				
Downtown development	<u>329 404 00</u>	<u>329 404 00</u>	<u>126 228 85</u>	<u>(203 175 15)</u>
Total expenditures	<u>329 404 00</u>	<u>329 404 00</u>	<u>126 228 85</u>	<u>(203 175 15)</u>
Excess (deficiency) of revenues over expenditures	(280 954 00)	(280 954 00)	(56 399 67)	224 554 33
Fund balance, April 1	<u>363 305 00</u>	<u>363 305 00</u>	<u>363 581 72</u>	<u>276 72</u>
Fund Balance, March 31	<u>82 351 00</u>	<u>82 351 00</u>	<u>307 182 05</u>	<u>224 831 05</u>

TOWNSHIP OF BOWNE  
Kent County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -  
ALL AGENCY FUNDS  
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>13 414 22</u>	<u>3 093 131 00</u>	<u>3 073 830 56</u>	<u>32 714 66</u>
<u>Liabilities</u>				
Due to other funds	13 414 22	284 053 60	266 482 38	30 985 44
Due to others	<u>-</u>	<u>2 809 077 40</u>	<u>2 807 348 18</u>	<u>1 729 22</u>
Total Liabilities	<u>13 414 22</u>	<u>3 093 131 00</u>	<u>3 073 830 56</u>	<u>32 714 66</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>-</u>	<u>48 229 89</u>	<u>48 229 89</u>	<u>-</u>
<u>Liabilities</u>				
Due to others	<u>-</u>	<u>48 229 89</u>	<u>48 229 89</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>48 229 89</u>	<u>48 229 89</u>	<u>-</u>
<u>TOTALS - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash in Bank	<u>13 414 22</u>	<u>3 141 360 89</u>	<u>3 122 060 45</u>	<u>32 714 66</u>
<u>Liabilities</u>				
Due to other funds	13 414 22	284 053 60	266 482 38	30 985 44
Due to others	<u>-</u>	<u>2 857 307 29</u>	<u>2 855 578 07</u>	<u>1 729 22</u>
Total Liabilities	<u>13 414 22</u>	<u>3 141 360 89</u>	<u>3 122 060 45</u>	<u>32 714 66</u>

# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**MARK J. CAMPBELL, CPA  
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BAY CITY, MICHIGAN 48707**

**TEL (989) 894-1040  
FAX (989) 894-5494**

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

July 7, 2006

To the Township Board  
Township of Bowne  
Kent County, Michigan

We have audited the financial statements of the Township of Bowne for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Bowne in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Bowne  
Kent County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants